

What Retired Members Should Know about Returning to Work

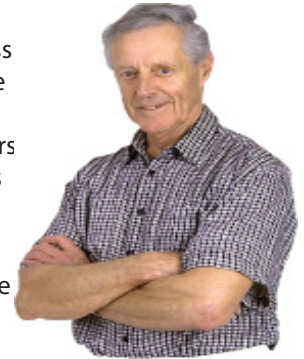
March 2009

Public Policy Issues

- In 2008, state lawmakers enacted legislation to provide an automatic cost-of-living adjustment (COLA) of up to 2 percent to eligible retirees of the South Carolina Retirement System (SCRS) and the Police Officers Retirement System (PORS). The automatic COLA is based on the Consumer Price Index for Wage Earners and Clerical Workers (CPI-W). If the CPI-W as of the previous December 31 is at least 2 percent, the COLA would be equal to 2 percent. Likewise, if

the CPI-W as of the previous December 31 is less than 2 percent, the COLA would be equal to the increase in the CPI-W. If the CPI-W is negative, there would be no COLA for the year. Lawmakers pre-funded the automatic COLAs, which means the cost of the COLAs are now included in the retirement plans' actuarial liabilities.

- Retirees will not receive a COLA in 2009 because the CPI-W for the year ended December 31, 2008, was negative .5 percent.



Working Retiree Contributions

- One of the provisions of the State Retirement System Preservation and Investment Reform Act of 2005 (Act 153) requires retirees who return to work for an employer covered by the Retirement Systems to remit the same member contributions as an active or non-retired employee in that same position.
- A working retiree is assured of getting back contributions made as a working retiree through either annuity payments to the retiree or annuity payments and/or a refund to the retiree's surviving beneficiary.
- When a retiree decides to work for an employer covered by the Retirement Systems, he or she **may not** elect participation in the Optional Retirement Program (ORP) in lieu of remitting the required contribution to the Retirement Systems.
- Contributions are not required from retirees who decide to work for a private sector employer.
- The passage of Act 153 also increased the working retiree group life insurance beneficiary payment to one year's salary in lieu of the \$2,000, \$4,000 or \$6,000 amount. The retiree must be working for a covered employer participating in the group life insurance program at the time of death to be eligible for this benefit.
- As of September 30, 2008, there were 117,182 South Carolina Retirement System (SCRS) and Police Officers Retirement System (PORS) annuitants, 23,333 of which were working retirees (SCRS and PORS). Working retirees reflect approximately 10 percent of the total public workforce. See charts at right.



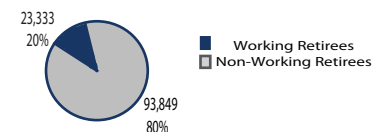
No Earnings Limitation

- Currently, state law provides that service retirees of SCRS and PORS are allowed to return to work after retirement and draw their annuity with no limit on the amount of earnings.
- Many other public pension plans require that members forfeit their right to retirement benefits, limit members' earnings, and/or require members to again become active contributing members upon return to covered employment.

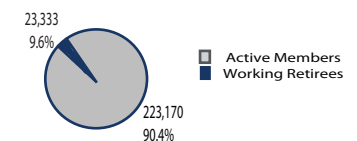
Financing Your Defined Benefit

- Your retirement plan is funded over-all through employer contributions, employee contributions, and investment earnings on those contributions.
- As a member, you are guaranteed a lifetime annuity based on a formula. This formula governs your benefit, not your contributions.
- Although the average member's contributions plus interest will usually be exhausted in a mere three and a half years of retirement, your annuity will continue throughout your lifetime.

Total Retired Membership



Total Public Workforce



This document was prepared by the South Carolina Retirement Systems, a division of the State Budget and Control Board.